

NORTHWEST IOWA MENTAL HEALTH CENTER
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2004

Trevino Associates, P.C.
Certified Public Accountants
1003 Central Avenue, Suite 801
Fort Dodge, Iowa 50501
(515) 576-0706

TABLE OF CONTENTS

	<u>Page</u>
Board of Directors	1
Independent Auditor's Report	2
Financial Statements:	
Statement of Financial Position	3-4
Statement of Activities	5
Statement of Functional Expenses	6-7
Statement of Cash Flows	8
Notes to Financial Statements	9-15
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting	16-17
Schedule of Findings	18
Staff	19

NORTHWEST IOWA MENTAL HEALTH CENTER
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH

BOARD OF DIRECTORS

<u>Name</u>	<u>Title</u>	<u>County Represented</u>
Darwin Beltman	President	Osceola
Jake Moermond	Vice-President	O'Brien
Sylvia Schoer	Secretary-Treasurer	Clay
Charlene Anderson	Director	Buena Vista
Jim Gustafson	Director	Buena Vista
Bill Lanphere	Director	Buena Vista
Del Brockshus	Director	Clay
Marilyn White	Director	Clay
Mardi Allen	Director	Dickinson
David Gottsche	Director	Dickinson
George Morris	Director	Dickinson
Roger Anderson	Director	Emmet
Keith Godfrey	Director	Emmet
Ron Smith	Director	Emmet
Randy Bosch	Director	Lyon
Jasper Ter Wee	Director	Lyon
Tom Farnsworth	Director	O'Brien
Daryl Strenge	Director	Osceola
Philip Currans	Director	Palo Alto
Mary Green	Director	Palo Alto
Lannie Miller	Director	Palo Alto
Judith McDonough	Executive Director	

Trevino Associates, P.C.

Certified Public Accountants

1003 Central Avenue Suite 801

Fort Dodge, Iowa 50501

Phone 515-576-0706

Fax 515-955-7580

E-Mail ptrevino@hawkeyemail.net

Independent Auditor's Report

To the Board of Directors
Northwest Iowa Mental Health Center
D/B/A Seasons Center For Community Mental Health
Spencer, Iowa

We have audited the accompanying financial statements, listed in the table of contents of this report, of Northwest Iowa Mental Health Center, D/B/A Seasons Center For Community Mental Health, Spencer, Iowa, as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Iowa Mental Health Center at June 30, 2004 and the results of its activities, changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 3, 2004 on our consideration of Northwest Iowa Mental Health Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Trevino Associates, P.C.

September 3, 2004

NORTHWEST IOWA MENTAL HEALTH CENTER
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2004
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2003

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL ALL FUNDS	
			2004	2003
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 199,560	\$ 6,159	\$ 205,719	\$ 107,250
Accounts receivable-patient fees, net	208,355	-	208,355	247,687
Accounts receivable-counties and other governmental agencies	105,319	-	105,319	95,877
Inventory	6,500	-	6,500	6,500
Prepaid expenses	66,088	-	66,088	59,241
Total current assets	585,822	6,159	591,981	516,555
PROPERTY AND EQUIPMENT				
Buildings and improvements	704,166	-	704,166	704,166
Vehicles	41,250	-	41,250	35,470
Furniture and equipment	810,368	-	810,368	769,955
	1,555,784	-	1,555,784	1,509,591
Less: accumulated depreciation	(1,077,116)		(1,077,116)	(1,022,425)
Net property and equipment	478,668	-	478,668	487,166
OTHER ASSETS				
Investment	11,000	-	11,000	11,000
TOTAL ASSETS	\$ 1,075,490	\$ 6,159	\$ 1,081,649	\$ 1,014,721

See accompanying notes to financial statements.

NORTHWEST IOWA MENTAL HEALTH CENTER
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2004
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2003

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL ALL FUNDS	
			2004	2003
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and other payables	\$ 39,330	\$ -	\$ 39,330	\$ 20,541
Accrued payroll	96,478	-	96,478	28,981
Accrued vacation pay	73,947	-	73,947	68,443
Current maturities of long-term debt	53,062	-	53,062	52,980
Total current liabilities	262,817	-	262,817	170,945
LONG-TERM LIABILITIES				
Note payable, net	229,235	-	229,235	288,580
Total liabilities	492,052	-	492,052	459,525
NET ASSETS	583,438	6,159	589,597	555,196
TOTAL LIABILITIES AND NET ASSETS	\$ 1,075,490	\$ 6,159	\$ 1,081,649	\$ 1,014,721

See accompanying notes to financial statements.

NORTHWEST IOWA MENTAL HEALTH CENTER
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2004
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2003

	TEMPORARILY		TOTAL ALL FUNDS	
	UNRESTRICTED	RESTRICTED	2004	2003
PUBLIC SUPPORT AND REVENUES				
Public support:				
Counties	\$ 1,193,898	\$ -	\$ 1,193,898	\$ 1,140,178
Federal grants	240,899	-	240,899	164,691
Other grants	18,558	-	18,558	48,922
Contributions	3,327	-	3,327	4,357
Total public support	1,456,682	-	1,456,682	1,358,148
Revenues:				
Patient fees, net	1,518,966	-	1,518,966	1,524,143
Other program and fee income	244,534	-	244,534	236,089
Investment income	8,299	-	8,299	5,656
Consulting income	-	-	-	430
Miscellaneous income	7,292	-	7,292	35,183
Total revenues	1,779,091	-	1,779,091	1,801,501
Net assets released from restrictions:				
Restrictions satisfied by payments	-	-	-	-
Total support and revenues	3,235,773	-	3,235,773	3,159,649
EXPENSES				
Outpatient care	758,157	-	758,157	798,228
Community support	273,296	-	273,296	245,291
Case management	170,741	-	170,741	169,343
ISP Grant	145,256	-	145,256	123,273
Psychiatric	723,417	-	723,417	714,764
Administration	213,062	-	213,062	263,956
Oak Haven Care Facility	917,444	-	917,444	869,828
Total expenses	3,201,373	-	3,201,373	3,184,683
CHANGES IN NET ASSETS	\$ 34,400	\$ -	\$ 34,400	\$ (25,034)
NET ASSETS - Beginning of Year	549,037	6,159	555,196	580,230
NET ASSETS - End of Year	\$ 583,437	\$ 6,159	\$ 589,596	\$ 555,196

See accompanying notes to financial statements.

NORTHWEST IOWA MENTAL HEALTH CENTER
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2004
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2003

	OUT- PATIENT	COMMUNITY SUPPORT	CASE MANAGEMENT
Salaries and wages	\$ 519,265	\$ 193,672	\$ 112,313
Purchase of services	2,872	152	357
Payroll and unemployment taxes	51,836	13,942	8,550
Workers compensation	4,098	1,362	865
Medical insurance	10,952	21,228	12,184
Disability insurance	3,576	1,483	858
Retirement	16,412	5,418	3,201
Staff development	2,508	376	616
Recruiting and moving	1,041	-	-
Malpractice insurance	10,216	2,600	3,056
Psychiatric and medical supplies	-	-	-
Pharmacy and other medical services	98	-	7
Work activities expense	-	-	-
Auto insurance	346	116	71
Auto repairs and maintenance	1,062	183	347
Auto gas	1,789	438	606
Mileage	11,304	5,238	2,265
Other travel expenses	-	-	-
Rent	33,871	6,753	-
Insurance	3,140	1,054	644
Depreciation	19,380	6,394	4,062
Utilities	9,202	1,313	2,656
Building repairs and maintenance	7,107	1,057	2,063
Professional services	10,452	2,054	3,699
Computer services	8,674	1,634	3,497
Board and administrative expenses	14	2	4
Dues and subscriptions	995	182	332
Advertising and promotion	138	23	32
Supplies	2,503	1,272	2,244
Postage	3,223	432	793
Printing	1,429	63	372
Telephone	16,480	4,405	4,520
Rentals	2,121	158	50
Equipment repair and maintenance	2,053	292	477
Interest	-	-	-
Bad debts	-	-	-
Food and provisions	-	-	-
Bank and credit card charges	-	-	-
Total expenses	\$ 758,157	\$ 273,296	\$ 170,741

See accompanying notes to financial statements.

ISP				OAK	TOTALS	
GRANT	PSYCHIATRIC	ADMIN.	HAVEN	2004	2003	
\$ 65,979	\$ 459,582	\$ 90,546	\$ 569,242	\$ 2,010,599	\$ 1,886,236	
41,827	35,764	533	2,057	83,562	196,191	
-	33,852	12,909	44,797	165,886	152,996	
-	3,261	856	6,857	17,299	19,181	
13,477	49,791	46,493	61,287	215,412	182,381	
-	3,491	1,490	4,748	15,646	14,286	
-	12,839	3,430	19,888	61,188	51,377	
1,765	268	868	1,817	8,218	20,233	
-	(90)	828	403	2,182	34,242	
-	8,307	3,602	-	27,781	22,146	
-	-	-	2,184	2,184	2,808	
-	25	6	785	921	1,107	
-	-	-	2,429	2,429	2,178	
-	275	79	3,306	4,193	4,964	
-	446	267	1,034	3,339	3,982	
-	2	92	1,910	4,837	4,415	
3,385	2,310	3,062	2,185	29,749	32,965	
-	-	-	6	6	1,907	
-	22,336	-	-	62,960	63,024	
-	2,496	719	21,348	29,401	26,402	
-	15,583	4,513	6,978	56,910	61,479	
-	8,640	2,135	42,513	66,459	61,581	
-	6,823	1,957	3,916	22,923	15,802	
2,116	12,185	2,258	9,728	42,492	57,326	
1,192	11,162	5,163	-	31,322	38,506	
-	17	3,853	871	4,761	14,403	
-	1,031	325	2,304	5,169	4,934	
-	150	38	94	475	116	
8,595	6,515	(110)	3,133	24,152	29,590	
-	3,778	1,303	3,003	12,532	13,100	
-	1,082	274	707	3,927	3,955	
3,246	18,360	3,380	11,941	62,332	54,856	
3,674	1,095	39	6,543	13,680	6,998	
-	2,041	447	4,736	10,046	10,188	
-	-	20,195	54	20,249	18,202	
-	-	-	-	-	8,579	
-	-	-	74,640	74,640	62,047	
-	-	1,512	-	1,512	-	
\$ 145,256	\$ 723,417	\$ 213,062	\$ 917,444	\$ 3,201,373	\$ 3,184,683	

See accompanying notes to financial statements.

NORTHWEST IOWA MENTAL HEALTH CENTER
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2004
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 34,400	\$ (25,034)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	56,910	61,479
(Increase) Decrease in:		
Accounts receivable - patient fees, net	39,332	(21,804)
Accounts receivable - counties and other governmental entities	(9,442)	3,897
Prepaid expenses	(6,847)	(41,165)
Increase (Decrease) in:		
Accounts payable and other payables	18,789	(111,517)
Accrued payroll	67,497	9,331
Accrued vacation pay	5,504	297
Deferred income	-	(11,616)
Net Cash Provided (Used) By Operating Activities	206,143	(136,132)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(48,413)	(9,157)
Net Cash (Used) By Investing Activities	(48,413)	(9,157)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments	(59,261)	(73,808)
Proceeds from notes payable	-	308,000
Net Cash Provided (Used) By Financing Activities	(59,261)	234,192
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	98,469	88,903
NET CASH AND CASH EQUIVALENTS - Beginning of Year	107,250	18,347
NET CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 205,719</u>	<u>\$ 107,250</u>
SUPPLEMENTAL DATA:		
Interest Paid	<u>\$ 20,249</u>	<u>\$ 18,202</u>

See accompanying notes to financial statements.

NORTHWEST IOWA MENTAL HEALTH CENTER
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Northwest Iowa Mental Health Center, D/B/A Seasons Center For Community Mental Health, hereafter referred to as “the Center”, is a non-profit corporation established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. The Center provides these services based on an agreement with the various county boards of supervisors as provided for in Chapter 230A.3(2) of the Code of Iowa. Services are provided to individuals in an eight-county area which includes Buena Vista, Clay, Dickinson, Emmet, Lyon, O’Brien, Osceola, and Palo Alto counties. In addition, the Center manages the Oak Haven Residential Care Facility in Dickinson County.

The Center is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes.

Fund Accounting

The accounts of the Center are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, revenues and expenses. The various funds are grouped as follows in the financial statements:

General Fund- This unrestricted fund accounts for all resources over which the Center has discretionary control to use in carrying on the operations of the Center in accordance with the limitations of its charter and bylaws.

The Center’s Board may designate portions of the current unrestricted fund for specific purposes, projects or investment as an aid in the planning of expenses and the conservation of assets. The Center maintains separate accounts for such designation within the general fund and segregates the designated and undesignated portions of the fund within the net assets section of the statement of financial position.

NORTHWEST IOWA MENTAL HEALTH CENTER
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Purchases of property and equipment providing future benefits are directly charged against the current unrestricted fund balance and capitalized in the property and equipment accounts.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed stipulations that may, or will be met, either by actions of the Center and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a restriction expires in the same reporting period in which the support is recognized, that support is reported as an increase in unrestricted net assets.

NORTHWEST IOWA MENTAL HEALTH CENTER
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets and Liabilities

The following accounting policies are followed in preparing the statement of financial position:

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers savings accounts and all other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventory

Inventory consists of food and office and cleaning supplies. The inventory is valued at cost.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 with an estimated life of at least one year are capitalized.

Property and equipment are stated at cost, or if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 5-50 years. No interest costs were capitalized since there were no qualifying assets.

Compensated Absences

Center employees accumulate a limited amount of earned but unused vacation benefits. Amounts representing the cost of accumulated compensated absences are recorded as liabilities and have been computed based on rates of pay in effect at July 1, 2004.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could vary from those estimates.

NORTHWEST IOWA MENTAL HEALTH CENTER
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Total Column

The total column on the statement of financial position and statement of activities is presented to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2003, from which the summarized information was derived.

Note 2 ACCOUNTS RECEIVABLE-PATIENT FEES

Accounts receivable-patient fees are recorded net of the allowance for doubtful accounts in the amount of \$ 348,000 at June 30, 2004. The allowance for doubtful accounts represents those patient receivables which are doubtful of collection, as well as estimated third-party contractual adjustments.

Note 3 INVESTMENT IN CORPORATE STOCK

The Center owns 110 shares of Class C stock of Tri-State Behavioral Health Associates, Inc., which represents an 11% ownership in a closely-held corporation. Tri-State is a for-profit consortium of mental health and substance abuse agencies, private psychiatric practitioners, and St. Luke's Hospital of Sioux City. It was formed as a management service organization to coordinate provider and hospital participation in managed care contracting and arrange for the provision and management of quality, cost-effective behavioral health care services. This investment is recorded on the financial statements at cost. There is no ready market for the Class C stock at present. The book value of the 110 shares of stock at June 30, 2003 is approximately \$106,000. The Center received \$8,250 in dividends during fiscal year ended June 30, 2004 and \$5,500 in the prior fiscal year on this investment.

NORTHWEST IOWA MENTAL HEALTH CENTER
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Note 4 NOTE PAYABLE

The Center has an unsecured note payable to Community State Bank which has a principal balance of \$282,297 at June 30, 2004. This note matures May 27, 2009 and accrues interest at a fixed rate of 6.45 % for the term of the loan, with monthly installments of \$5,810.

The annual requirements for principal payments on long-term debt are as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2005	\$ 53,062
2006	56,588
2007	60,347
2008	64,357
2009	<u>47,943</u>
Total	\$ <u>282,297</u>

Note 5 ADDITIONAL COUNTY FUNDING AND TEMPORARILY RESTRICTED FUND

During the fiscal year ended June 30, 1999, the member counties agreed to advance \$3,500 each to the Center. Twenty percent of these funds are to be used for repairs and improvements on the Center's infrastructure. The remaining eighty- percent was used to reduce bank debt. At June 30, 2004, \$6,159 remains restricted for future repairs and improvements.

Note 6 NET PATIENT SERVICE REVENUE

Patient service revenue is reported at the estimated realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

NORTHWEST IOWA MENTAL HEALTH CENTER
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Note 7 RETIREMENT PLAN

The Center maintains a 401(k) plan administered by Capital Guardian Trust Company. The plan covers substantially all full time employees. For the year ended June 30, 2004, the Center contributed an amount equal to 3% of the annual salary for each employee participating in the plan, although this is not required by the terms of the plan. The Center had contributed between 2% to 5% of eligible annual salaries in prior years. The plan also allows employees to make pre-tax contributions if they so desire. Employer contributions credited to individual participants are subject to a five-year vesting schedule. The vested accumulated monies are paid upon a participant's retirement or termination.

For the year ended June 30, 2004, the Center's retirement expense totaled \$ 61,188.

Note 8 OPERATING LEASES

The Center leases office space under operating leases expiring various years through the year 2008. At June 30, 2004 future minimum lease payments under all leases are as follows:

2005	\$ 58,500
2006	58,200
2007	46,000
2008	<u>10,400</u>
Total	<u>\$ 173,100</u>

Note 9 ECONOMIC DEPENDENCY ON MEMBER COUNTIES AND THIRD-PARTY PAYORS

The Center received \$850,525 from the eight member counties during the year ended June 30, 2004 for mental health services and county catchment area fees, and another \$244,534 in case management fees for county residents. This represents approximately 47% of the Center's total support and revenue. Counties also purchased services totaling \$343,373 from Oak Haven for residents living at the facility. This represents approximately 38% of Oak Haven's total support and revenue.

The Center also receives a substantial amount of its revenue from third-party payors, such as Medicare, Medicaid and Blue Cross. A significant reduction in reimbursement from any of these parties could have a material impact on the Center's programs and services.

NORTHWEST IOWA MENTAL HEALTH CENTER
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Note 10 CONCENTRATION OF CREDIT RISK

The Center provides counseling to individuals in an eight-county area. The Center grants credit to these individuals and the eight counties.

The Center maintains several bank accounts at Community State Bank. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash at Community State Bank exceeded Federally insured limits. The amount in excess of the FDIC limit totaled \$104,586 as of June 30, 2004.

Note 11 CENTER RISK MANAGEMENT

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Center assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for the past five years.

Note 12 INTEREST COST

During the year ended June 30, 2004, no interest costs were capitalized, and the Center reported \$ 20,249 for interest expense.

Trevino Associates, P.C.

Certified Public Accountants

1003 Central Avenue Suite 801

Fort Dodge, Iowa 50501

Phone 515-576-0706

Fax 515-955-7580

E-Mail ptrevino@hawkeyemail.net

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Board of Directors
Northwest Iowa Mental Health Center
D/B/A Seasons Center For Community Mental Health
Spencer, Iowa

We have audited the financial statements of Northwest Iowa Mental Health Center, D/B/A Seasons Center For Community Mental Health, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 3, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Center's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Center's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe (A) is a material weakness.

This report, a public record by law, is intended solely for the information and use of the Center and other parties to whom the Center may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Center during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Trevino Associates, P.C.

September 3, 2004

NORTHWEST IOWA MENTAL HEALTH CENTER
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

(A) Segregation of Duties

During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Center's financial statements. We noted one individual has custody of receipts and performs all record-keeping and reconciling functions for the Oak Haven facility.

Recommendation

We realize segregation of duties is difficult with a limited number of office employees. However, the Center should review the operating procedures to obtain the maximum internal control possible under the circumstances.

Response

We will review procedures and plan to make the necessary changes to improve internal control.

Conclusion

Response accepted.

Other Findings Related to Statutory Requirements and Other Matters:

None

NORTHWEST IOWA MENTAL HEALTH CENTER
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH

STAFF

YEAR ENDED JUNE 30, 2004

This audit was performed by:

Thomas D. O'Brien, CPA, Manager
Peggy Richardson Trevino, CPA, Owner